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# SAULT STE. MARIE CANAL

## SOCIO-ECONOMIC IMPACT EVALUATION

CANADIAN PARKS SERVICE

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prepared for
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May, 1989

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## EXECUTIVE SUMMARY

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Constructed between 1889 and 1895, the Sault Ste. Marie Canal held two distinctions: it was the longest lock in the world; and it was the first lock to be operated electrically. Since July 22 of 1987, the Canal has been closed because of a structural failure in a sixty metre section of the south lock chamber wall. The Canadian Parks Service has initiated a process which included engineering investigations, as well as planning and public consultation programs, since the closure to navigation.

As part of the examination of future options, this study was commissioned to estimate the potential economic and social effects of five alternative courses of action. These potential effects are examined from the perspectives of the local Sault Ste. Marie area; the Canadian Parks Service; and the Government of Canada in general. The results of this study, along with other considerations, provide a framework for future decision-making. A brief summary of the key points and findings of the report are contained in this Executive Summary.

### ROLE OF CANAL IN LOCAL ECONOMY

Overall, study findings indicate that the economic impact and importance of the Canal prior to its closure within the local economy is minimal. Approximately 1.5 million tourists visit the Algoma-Kinniwabi tourist area each year and spend approximately $90 million. In comparison, spending by the 559,516 Canal visitors is approximately $2.5 million which constitutes only 2.8% of total visitor spending in the area. Similarly, from the perspective of employment, the impact of the Canal appears to be minor. Tourism employment is estimated at 11% of total employment, approximately 4140 jobs and provides an employment income of

about $40 million annually. In comparison, the 46.5 person-years of employment generated annually by Canal operations represents only 1.1% of total tourism employment.

Even when indirect and induced economic effects are considered, the overall economic impact of the Canal within the local tourism industry remains small. In 1986, the sum of direct, indirect and induced economic impacts of both Canadian Parks Service spending and attributable visitor spending on the local economy is estimated at only $4 million in gross domestic product and about 115 person-years of employment, when the Canal was operational.

The importance of the Canal in generating private tourism investment also appears to be minimal. Those making tourism investments in the last two years, do not appear to have been influenced by the closure of the Canal. An examination of private tourism related investments between 1985 and 1988 indicated that the majority were being made in areas of the City which recognized the 'in-transit' and 'retail-service' characteristics of the local tourism industry rather than the Canal.

## TOURISM IN THE SAULT STE. MARIE ECONOMY

The city is strategically located in northern Ontario, with direct access to the State of Michigan. This location allows the city to serve as a transportation and shipping centre, providing transportation links between northern communities and markets in the United States and southern Ontario. The City also functions as a service centre for other northern communities, offering retail, tourism and other commercial facilities and services.

The economy of Sault Ste. Marie is characterized by a reasonably stable population and workforce. Over the past 12 years the population has been reasonably stable in the 80,000 - 84,000 range. Employment is dominated by the manufacturing sector - the single largest employer is the Algoma Steel Corporation (8,300 persons in 1987). Unemployment represents approximately 11% of the workforce.

Tourism is a 4-season industry in Sault Ste. Marie, with a complete infrastructure and a variety of attractions operating both seasonally and year round. It is characterized by two main features: it functions as a retail and service area for communities in northeastern Ontario and northern Michigan; and it is an important 'in-transit' centre for travellers entering Canada from the United States and for those travelling along the TransCanada Highway in Canada. The Canal itself does not play a predominant role in this system. Tourists identifying the local area as their main destination predominantly came for shopping. Others are

attracted by the Algoma Central Railway, the "Sault locks", the scenery, and fishing or wildlife.

With the assistance of government, the local economy is slowly diversifying. Within the last two years indications are that the economy has recovered from the recession of the early 1980's. New development initiatives in the City are an attempt to shift some of the tourism focus to the waterfront area. These developments reflect a considerable investment and commitment by the City to this area. Waterfront development will potentially increase the importance of the Canal in the next 5 - 10 years.

## SAULT STE. MARIE CANAL USE

The Canal cannot physically accommodate the large commercial vessels: these vessels must use the U.S. Locks. The U.S. Army Corps of Engineers' St. Mary's Falls Canal ("Soo Locks") facility, is comprised of 4 separate lock structures. Prior to lock failure, net tonnage passing through the Canadian Canal represented approximately 0.5% of the total net tonnage passing through the U.S. Locks. Since 1983, fewer than 400 large vessels pass through the Canadian lock annually. However, although very little of the tonnage passed through the Canal, approximately one third of all vessels locked through. Major users of the Sault Ste. Marie Canal were the five U.S. and two Canadian tour boats as well as pleasure craft from both countries.

The Canal traditionally attracted both water and land based visitors: the total number of visitors in 1986 was 559,516. Two thirds of visitors arrive by land (379,246) and one third by water (180,270). Over 95% of water based visitors were tour boat passengers. Two thirds of land based visitors are local residents, while the one third who are non-local constitute about 9% of all tourists to the Algoma-Kinniwabi tourist area. The visitors' stay on site is short (under one hour), indicating these visits do not occupy a large portion of visitors time in Sault Ste. Marie.

## FUTURE DEVELOPMENT OPTIONS

As a result of the engineering studies and the subsequent planning and public consultation program carried out in 1988, five development options for the long term use of the Canal were assessed:

**NATIONAL HISTORIC SITE:**

In this option, with the exception of the Canal itself, historic features of national importance are maintained, protected and interpreted to the public. The grounds are maintained so that existing recreational activities can continue. No navigation is possible under this option, but in keeping with the maintaining of the historic features, new uses for the Canal site would be investigated.

**MAJOR NATIONAL HISTORIC SITE:**

This option includes the introduction of major improvements to the Canal site in order to develop it as a year-round attraction of historic interest. No navigation is possible under this option. The site becomes an active and attractive tourist destination, with new displays and programs.

**RECREATIONAL LOCK:**

This involves the construction of a new, smaller lock within the existing lock chamber, and the repair or improvement of other site facilities. Construction of the new lock is to be carried out over a five year period, with other engineering works conducted throughout the life of the project.

**ROWSWELL PROPOSAL:**

This proposal restores the lock to operations, with a reduction in the size of the lock chamber: the width is decreased by 3.7 metres (12 ft) and the depth to 3.7 - 4.3 metres (12-14 ft) for the entire length. All other related facilities, services and programs are maintained or improved.

**FENCO PROPOSAL:**

This option returns the Canal to its former operational status, with the exception that the width of the lock is reduced by 2 metres for the entire length. Interim lock repairs and a series of other necessary developments are to be carried out within five years. Permanent lock rehabilitation is to be carried out after fifteen years. All other related facilities, services and programs are maintained or improved, identical to the site developments contained in the Rowswell Proposal.

## COSTS AND BENEFITS OF THE OPTIONS

The following chart contains an outline of the costs and benefits of each option. All financial figures are indicated in millions of 1988 constant dollars.

Table 1

| | National Historic Site | Major National Historic Site | Recreational Lock | Rowswell Proposal | Fenco Proposal |
|---|---|---|---|---|---|
| Total capital costs: | $ 4.9 | $ 8.7 | $24.3 | $32.0 | $33.9 |
| Annual operations and maintenance costs: | $ 0.4 | $ 1.1 | $ 1.2 | $ 1.4 | $ 1.4 |
| Net present value of CPS expenditures (capital and operations/maintenance): | $ 7.6 | $14.0 | $19.7 | $28.3 | $24.6 |
| Projected visitation (year 2001): | 250,000 | 485,000 | 698,700 | 698,700 | 698,700 |
| Local economic impact (annual): | $ 0.9 | $ 2.8 | $ 3.9 | $ 4.5 | $4.5 |
| Employment in local economy (annual person years): | 25 | 83 | 115 | 129 | 128 |

In addition to these figures, there are other aspects of the options which should be recognized:

- The **National Historic Site** option excludes all navigation, but allows for the maintenance of historic qualities of the site and the existing parkland atmosphere, while still making the site available for compatible, alternative land uses. This option results in recreational boaters and tour boats relying on the U.S. Locks for passage.

- The **Major National Historic Site** option, while eliminating navigation, represents a shift in focus to the historic attributes: the site becomes a major park attraction for residents and tourists. Land based recreational opportunities are maintained, and cultural activities enhanced. Recreational boaters and tour boats will rely on the U.S. Locks for passage.

- The **Recreational Lock** option reduces the historic quality of the lock itself, but maintains the traditional recreational and cultural opportunities on site. This option allows the Canal to operate for the locking through of recreational traffic and tour boats.

- The **Rowswell Proposal** also reduces the historic quality of the lock, but provides safe navigation for recreational traffic and tour boats.

- The **Fenco Proposal** restores the lock to a level of operations to accommodate all marine traffic except the large commercial vessels. All recreational boaters and tour boats are safely handled. Some historic qualities of the lock itself will be lost through the use of concrete, but all recreational and cultural opportunities on site are maintained.

## OVERALL CONCLUSIONS

- While the "Sault Locks" form a major attraction for tourists, the primary appeal is the U.S. Locks, where the giant lake carriers can be observed at close range. Land based tourist visitation to the U.S. Locks is between 5 and 7 times the number visiting the Sault Ste. Marie Canal, when it was operational.

- The effect of the Canal upon local employment and overall tourism sector income is not substantial. Total employment in the City in 1988 was 36,873, with 4,140 in the tourism sector. The total number of person years of employment generated annually by the options ranged between 25 and 128.

- The magnitude of difference between the options is not sufficient to result in an appreciable impact on the local economy. Annual economic impacts range from $0.9 million to $4.5 million. The City's total 1988 employment income was $702.4 million.

- The alternatives involving an operational canal (Fenco, Rowswell and Recreational Lock) all are projected to result in the same level of tourist visitation to the site. The contribution to the local economy from visitor spending is therefore the same for these three options.

- From the perspective of Sault Ste. Marie, greater social and economic consequences are associated with those options which entail an inoperative Canal.

- From the Canadian Parks Service perspective, the relative importance of priorities will influence the weighting of the development options. If an operational Canal is a primary objective, the Recreational Lock appears to offer the greatest benefit. If other objectives, such as cost, are given priority, the National Historic Site appears more appropriate.

- From the perspective of the Government of Canada, the most appropriate action will be determined by the weight given to costs, fiscal policies, international cooperation and effects on other government programs. If priority is given to the need to curtail expenditures, the National Historic Site appears the most appropriate.